

**ST. MARTIN PARISH WATERWORKS DISTRICT NO. 3**  
Cade, Louisiana

**ANNUAL FINANCIAL REPORTS**

Years Ended December 31, 2011 and 2010

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **SEP 05 2012**

**ST. MARTIN PARISH WATERWORKS DISTRICT NO. 3**

Cade, Louisiana

December 31, 2011

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# MARAIST & MARAIST

CERTIFIED PUBLIC ACCOUNTANTS

(A PARTNERSHIP OF PROFESSIONAL ACCOUNTING CORPORATIONS)

1411 N. MAIN STREET

ST. MARTINVILLE, LOUISIANA 70582

TELEPHONE (337) 394-5571 • FAX (337) 394-1720

CHARLES M. MARAIST, CPA \*

REGINA B. MARAIST, CPA \*

\* A PROFESSIONAL ACCOUNTING CORPORATION

MEMBERS  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
SOCIETY OF  
LOUISIANA CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

To the Board Members of the  
Waterworks District No.3 of  
St. Martin Parish, Louisiana  
Cade, Louisiana

We have audited the accompanying financial statements of the business-type activities and major fund of the Waterworks District No. 3 of St. Martin Parish, Louisiana, a component unit of the St. Martin Parish Government, as of and for the years ended December 31, 2011 and 2010, which collectively comprise the District's basic financial statements, as listed in the table of contents. These basic financial statements are the responsibility of the St. Martin Parish Waterworks District No. 3's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and major fund of the Waterworks District No. 3 of St. Martin Parish, Louisiana as of December 31, 2011 and 2010, and the respective changes in financial position, and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Board Members of the  
Waterworks District No. 3 of  
St. Martin Parish, Louisiana

In accordance with Government Auditing Standards, we have also issued our report dated June 5, 2012 on our consideration of the Waterworks District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Waterworks District No. 3 of St. Martin Parish, Louisiana's financial statements as a whole. The accompanying schedule of expenditures of federal awards is present for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is not a required part of the financial statements of the Waterworks District No. 3 of St. Martin Parish. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The Waterworks District No. 3 of St. Martin Parish, Louisiana has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

  
MARAIST & MARAIST  
CERTIFIED PUBLIC ACCOUNTANTS

June 5, 2012

**ST. MARTIN PARISH WATERWORKS DISTRICT NO. 3**  
**STATEMENTS OF NET ASSETS**  
December 31, 2011 and 2010

		<u>Exhibit A</u> BUSINESS-TYPE ACTIVITIES PROPRIETARY FUND	
<u>ASSETS</u>		<u>12/31/11</u>	<u>12/31/10</u>
Current Assets			
Cash and cash equivalents		\$ 63,133	\$ 48,749
Accounts receivable		40,157	40,576
Prepaid expenses		5,024	5,050
Total current assets		<u>\$ 108,314</u>	<u>\$ 94,375</u>
Noncurrent Assets			
Restricted cash and cash equivalents		352,391	289,032
Capital Assets, at cost, (net of accumulated depreciation of \$636,259 at 12/31/11 and \$532,722 at 12/31/10)		<u>3,684,299</u>	<u>3,786,636</u>
TOTAL ASSETS		<u><u>\$ 4,145,004</u></u>	<u><u>\$ 4,170,043</u></u>
<u>LIABILITIES AND NET ASSETS</u>			
Current Liabilities(from current assets)			
Accounts payable		\$ 17,746	\$ 9,468
Intergovernmental payables-St Martin Parish Gov't		278,823	322,106
Payroll liabilities payable		-	63
Total current liabilities (from current assets)		<u>\$ 296,569</u>	<u>\$ 331,637</u>
Current Liabilities (from restricted assets)			
Customer deposits		\$ 34,845	\$ 25,950
Accrued interest payable		3,372	3,418
Notes payable-RDA (current portion)		<u>26,088</u>	<u>24,942</u>
Total current liabilities (from restricted assets)		<u>\$ 64,305</u>	<u>\$ 54,310</u>
Long-Term Liabilities			
Notes Payable-RDA (long-term portion)		<u>\$ 1,797,106</u>	<u>\$ 1,823,196</u>
TOTAL LIABILITIES		<u><u>\$ 2,157,980</u></u>	<u><u>\$ 2,209,143</u></u>
Net Assets			
Invested in capital assets, net of related debt		\$ 1,857,733	\$ 1,935,080
Restricted for debt service/contingency		352,391	289,032
Unrestricted/ (Deficit)		<u>(223,100)</u>	<u>(263,212)</u>
TOTAL NET ASSETS		<u><u>\$ 1,987,024</u></u>	<u><u>\$ 1,960,900</u></u>

The accompanying notes are an integral part of these financial statements

**ST. MARTIN PARISH WATERWORKS DISTRICT NO. 3**  
**STATEMENTS OF REVENUES, EXPENSES AND**  
**CHANGES IN NET ASSETS**

For the Years Ended December 31, 2011 and 2010

	<u>Exhibit B</u> <b>BUSINESS-TYPE ACTIVITIES</b> <b>PROPRIETARY FUND</b>	
<u>OPERATING REVENUES</u>	<u>FYE 12/31/2011</u>	<u>FYE 12/31/2010</u>
Water sales and fees	\$ 407,875	\$ 380,899
Meter sales	16,379	39,470
Miscellaneous revenues	-	-
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 424,254</b>	<b>\$ 420,369</b>
<u>OPERATING EXPENSE</u>		
Sewerage fees	\$ 10,005	\$ 9,405
Payroll expense	22,915	18,367
Chemicals	64,342	42,143
Insurance expense	10,846	10,665
Repair and maintenance	11,552	14,464
Depreciation expense	103,537	103,336
Computer/internet fees	646	1,389
Professional fees	45,273	39,818
Supplies	9,832	10,115
Telephone	286	259
Utilities	22,107	19,735
Contractual services	1,150	3,139
Office expense	7,287	5,986
Equipment rental	2,781	3,645
Miscellaneous expense	2,964	3,387
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 315,523</b>	<b>\$ 282,853</b>
<b>OPERATING INCOME/(LOSS)</b>	<b>\$ 108,731</b>	<b>\$ 137,516</b>
<u>NONOPERATING REVENUES/(EXPENSES)</u>		
Intergovernmental transfer	\$ -	\$ (19,758)
Interest expense	82,607	83,767
<b>TOTAL NONOPERATING REVENUES/EXPENSES</b>	<b>\$ 82,607</b>	<b>\$ 64,009</b>
<b>CHANGE IN NET ASSETS</b>	<b>\$ 26,124</b>	<b>\$ 73,507</b>
<b>NET ASSETS, BEGINNING</b>	<b>1,960,900</b>	<b>1,887,393</b>
<b>NET ASSETS, ENDING</b>	<b>\$ 1,987,024</b>	<b>\$ 1,960,900</b>

The accompanying notes are an integral part of these financial statements

**ST. MARTIN PARISH WATERWORKS DISTRICT NO. 3**  
**STATEMENTS OF CASH FLOWS**  
For the Years Ended December 31, 2011 and 2010

Exhibit C  
**BUSINESS-TYPE ACTIVITIES**  
**PROPRIETARY FUND**

	<u>FYE 12/31/2011</u>	<u>FYE 12/31/2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 433,568	\$ 395,503
Payments to suppliers	(180,767)	(132,691)
Payments to employees	(22,978)	(15,304)
Net cash provided/(used) by operating activities	<u>\$ 229,823</u>	<u>\$ 247,508</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Repayment of loan principal	\$ (24,944)	\$ (23,853)
Interest paid on bonds/notes payable	(82,653)	(83,746)
Repayment of intergovernmental loans	(43,283)	(90,342)
Acquisition of capital assets	(1,200)	-
Net cash (used) by capital and related financing activities	<u>\$ (152,080)</u>	<u>\$ (197,941)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<u>\$ -0-</u>	<u>\$ -0-</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>\$ 77,743</u>	<u>\$ 49,567</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>337,781</u>	<u>288,214</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>\$ 415,524</u></u>	<u><u>\$ 337,781</u></u>
<b>RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES</b>		
Operating income/(loss)	\$ 108,731	\$ 137,516
Adjustments to reconcile operating income to net cash provided/(used) by operating activities		
Depreciation expense	103,537	103,336
Changes in net assets and liabilities		
Receivables, net	419	(3,824)
Prepaid expenses	26	(174)
Accounts payable	8,278	3,275
Customer deposits	8,895	(21,042)
Payroll liabilities	(63)	63
Intergovernmental payables	-	28,358
Net cash provided/(used) by operating activities	<u>\$ 229,823</u>	<u>\$ 247,508</u>
<b>Reconciliation of Total Cash</b>		
Current assets – cash	\$ 63,133	\$ 48,749
Restricted assets – cash	352,391	289,032
<b>Total Cash</b>	<u><u>\$ 415,524</u></u>	<u><u>\$ 337,781</u></u>

The accompanying notes are an integral part of these financial statements

**ST. MARTIN PARISH WATERWORKS DISTRICT NO. 3**

Cade, Louisiana

**Notes to Basic Financial Statements**

December 31, 2011

(1) **GENERAL STATEMENT & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**General Statement**

The Waterworks District No 3 of St. Martin Parish, Louisiana is a component unit of the St. Martin Parish Government. The waterworks district was established in 2001 as authorized by Chapter 9 of Title 33 of the Louisiana Revised Statutes of 1950, to acquire and make improvements to the Cade Water System, in order to provide the rural areas of southwestern St. Martin Parish with a quality water supply and distribution system to supply rural residents with potable drinking water for domestic, livestock, garden, industrial and commercial purposes. The basic operations of the Waterworks District are financed by charges to customers based upon water consumption. The Waterworks District is governed by a board of control composed of five members which is appointed by the parish government. The members of the board of control serve without compensation.

**Summary of Significant Accounting Policies**

The accounting and reporting policies of the Waterworks District #3 of St. Martin Parish (the Waterworks District) conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the Louisiana Municipal Audit and Accounting Guide, and to the industry audit guide, Audits of State and Local Governmental Units.

The following significant accounting policies were applied in the preparation of the accompanying financial statements:

(A) **Financial Reporting Entity**

As the governing authority of the parish, for reporting purposes, the St. Martin Parish Government is the financial reporting entity for St. Martin Parish. The financial reporting entity consists of (a) the primary government (Parish Government), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The Governmental Accounting Standards Board (GASB) is the accepted standard setting authority for generally accepted accounting principles as applied to



**ST. MARTIN PARISH WATERWORKS DISTRICT NO. 3**  
Cade, Louisiana  
**Notes to Basic Financial Statements(continued)**

governmental entities. Governmental Accounting Standards Board (GASB) Statement No. 14 and No. 39 established criteria for determining which component units should be considered part of the St. Martin Parish Government for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes.

1. Appointing a voting majority of an organization's governing body, and;
  - a. The ability of the parish government to impose its will on that organization and/or;
  - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the parish government.
2. Organizations for which the parish government does not appoint a voting majority but are fiscally dependent on the parish government.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the parish government appoints the District's governing body, the St. Martin Parish Waterworks District No. 3 was determined to be a component unit of the St. Martin Parish Government, the financial reporting entity. The accompanying component unit financial statements present information only on the proprietary fund maintained by the District and do not present information on the parish government, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

**(B) Basis of Presentation (Government-Wide Financial Statements)**

The accompanying financial statements of the Waterworks District No. 3 of St. Martin Parish have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District applies all applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

**ST. MARTIN PARISH WATERWORKS DISTRICT NO. 3**

Cade, Louisiana

**Notes to Basic Financial Statements(continued)**

The Statement of Net Assets displays information on all of the non-fiduciary activities of the St. Martin Parish Waterworks District No. 3, as a whole. It includes the proprietary fund of the District. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Fiduciary funds are not included in government wide financial statements.

**(C) Fund Accounting**

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The District maintains only one fund and it is described below:

**Proprietary Fund –**

Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**(D) Measurement Focus/Basis of Accounting**

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

**Measurement Focus**

The enterprise fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets, and is displayed in three components-(1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets.

**ST. MARTIN PARISH WATERWORKS DISTRICT NO. 3**  
Cade, Louisiana  
**Notes to Basic Financial Statements(continued)**

The District uses unrestricted assets only when restricted assets are fully depleted.

**Basis of Accounting**

In the statement of net assets, business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized in accordance with the requirements of GASB Statement No 33 "Accounting and Financial Reporting for Nonexchange Transactions."

Purchases of operating supplies are regarded as expenditures at the time purchased and inventories of such supplies (if any) are not recorded as assets at the close of the fiscal year, unless material. Payments made to vendors for services that will benefit periods beyond year end are recorded as prepaid items

Proprietary funds are reported in accordance with GASB Statement No 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. This standard requires that all applicable GASB pronouncements, Financial Accounting Standards Board (FASB) Statements and Interpretation, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) issued on or before November 30, 1989, be applied to proprietary activities unless they (FASB Statements and Interpretations, APB Opinions, and ARBs) conflict with or contradict GASB pronouncements.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principle operating revenues for proprietary funds are charges to customers for sales or services. Principle operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

GASB Statement No. 20 also states that for proprietary activities, management may elect to apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements. Proprietary activities under the control of the District have elected not to apply FASB Statements and Interpretations issued after November 30, 1989, unless they are adopted by GASB

**ST. MARTIN PARISH WATERWORKS DISTRICT NO. 3**  
Cade, Louisiana  
**Notes to Basic Financial Statements(continued)**

(E) Budget Accounting

The St. Martin Parish Waterworks District No 3 is not required to adopt a budget for its proprietary fund under Louisiana Revised Statute 39:1303.

(F) Encumbrances

The St. Martin Parish Waterworks District No 3 does not employ the encumbrance system of accounting.

(G) Compensated Absences

The Waterworks District does not grant compensated absences to any of its employees, either in the form of sick leave or vacation leave

(2) CASH AND CASH EQUIVALENTS:

For purposes of the statements of cash flows, the Waterworks District No 3 considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash equivalents on deposit with banks are fully secured through the pledge of bank-owned securities or federal deposit insurance. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

The carrying amount of cash and cash equivalents are displayed on the balance sheet as follows:

	<u>Book Balance</u>	
<u>Unrestricted</u>	<u>12/31/11</u>	<u>12/31/10</u>
Revenue account – checking	\$ 63,133	\$ 48,749
<u>Restricted</u>		
Reserve note fund – checking	106,740	88,500
Contingency account fund – checking	106,740	88,500
Meter deposit fund – checking	65,906	49,527
Security deposit fund – checking	73,005	62,505
	<u>\$ 415,524</u>	<u>\$ 337,781</u>

Deposits with banks are categorized to give an indication of the level of risk at December 31, 2011 and 2010 as follows

	<u>12/31/11</u>	<u>12/31/10</u>
Federal Insurance(FDIC)	<u>\$ 421,700</u>	<u>\$ 363,609</u>

**ST MARTIN PARISH WATERWORKS DISTRICT NO. 3**  
**Cade, Louisiana**  
**Notes to Basic Financial Statements(continued)**

**(3) ACCOUNTS RECEIVABLE AND UNCOLLECTIBLE CHARGES**

The Waterworks District No. 3 does not maintain an allowance for estimated uncollectible accounts. When an account is determined uncollectible it is deducted from the accounts receivable and charged against customer deposits initially, and the remaining balance charged to uncollectible water revenues. Due to the small monetary amounts involved, and the availability of customer deposits to offset against any unpaid water bills, this method yields results which are not materially different from the allowance method of accounting for uncollectible receivables

St. Martin Waterworks District No. 3's accounts receivable consist of uncollected billed utility services. An accounts receivable aging schedule, together with pertinent water system operating data, is as follows.

	12/31/11	12/31/10
<u>Days</u>	<u>Amounts</u>	<u>Amounts</u>
0-90	\$ 38,018	\$ 38,620
91 and older	2,139	1,956
<u>Total</u>	<u>\$ 40,157</u>	<u>\$ 40,576</u>
Breakdown of active customers		
Residential	921	898
Commercial	107	82
<u>Total</u>	<u>1,028</u>	<u>980</u>

The present water billing rate schedule is as follows:

Residential monthly billing	
First 2,000 gallons (minimum)	\$13 27
Over 2,000 gallons (per 1,000 gallons)	\$2 95
Commercial monthly billing	
First 2,000 gallons (minimum)	\$17 00
Over 2,000 gallons (per 1,000 gallons)	\$3 50

**(4) CAPITAL ASSETS**

Capital assets purchased or acquired with an original cost of \$500 or more are reported at historical costs or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as

**ST MARTIN PARISH WATERWORKS DISTRICT NO. 3**  
Cade, Louisiana

**Notes to Basic Financial Statements(continued)**

incurred. Interest costs during construction are not capitalized. Depreciation on all assets is computed on the straight-line basis over the following service lives.

Buildings	20-30 years
Water System	40-50 years
Furniture, Fixtures & Equipment	5-10 years
Improvements	20-25 years

The following is a summary of the capital assets of the Proprietary Fund at December 31, 2011

	Beginning Balance 01/01/11	Increases	Decreases	Ending Balance 12/31/11
Capital assets not being depreciated				
Land	\$ 198,000			\$ 198,000
Other capital assets				
Treatment plants and buildings and water distribution system	4,119,627			4,119,627
Office equipment	1,731	\$ 1,200		2,931
Totals	<u>\$ 4,319,358</u>	<u>\$ 1,200</u>		<u>\$ 4,320,558</u>
Less Accumulated depreciation for				
Treatment plants and buildings and water distribution system	\$ 532,116	\$ 102,991		\$ 635,107
Office equipment	606	546		1,152
Total accumulated depreciation	<u>\$ 532,722</u>	<u>\$ 103,537</u>		<u>\$ 636,259</u>
Capital assets, net	<u>\$ 3,786,636</u>	<u>\$ (102,337)</u>		<u>\$ 3,684,299</u>

The following is a summary of the capital assets of the Proprietary Fund at December 31, 2010

	Beginning Balance 01/01/10	Increases	Decreases	Ending Balance 12/31/10
Capital assets not being depreciated				
Land	\$ 198,000			\$ 198,000
Other capital assets				
Treatment plants and buildings and water distribution system	4,119,627			4,119,627
Office equipment	1,731			1,731
Totals	<u>\$ 4,319,358</u>	<u>\$</u>		<u>\$ 4,319,358</u>
Less Accumulated depreciation for				
Treatment plants and buildings and water distribution system	\$ 429,126	\$ 102,990		\$ 532,116
Office equipment	260	346		606
Total accumulated depreciation	<u>\$ 429,386</u>	<u>\$ 103,336</u>		<u>\$ 532,722</u>
Capital assets, net	<u>\$ 3,889,972</u>	<u>\$ (103,336)</u>		<u>\$ 3,786,636</u>

**ST MARTIN PARISH WATERWORKS DISTRICT NO. 3**  
Cade, Louisiana  
**Notes to Basic Financial Statements(continued)**

(5) **LONG-TERM OBLIGATIONS**

The following is a summary of the long-term debt transactions and balances of the Waterworks District No 3.

	<u>Balance 12/31/11</u>
\$1,390,000 Water Revenue Bonds, due in monthly installments of \$6,310.60 through January 16, 2044, bearing interest of 4 ½%, to be retired from excess annual water revenues	\$1,283,159
\$431,000 Water Revenue Bonds, due in monthly installments of \$1,956.74 through January 16, 2044, bearing interest of 4 ½%, to be retired from excess annual water revenues	397,872
\$154,000 Water Revenue Bonds, due in monthly installments of \$699.16 through January 16, 2044, bearing interest of 4 ½% to be retired from excess Annual water revenues	142,163
Total	<u>\$ 1,823,194</u>
Balance—12/31/09	\$ 1,871,991
Principal reductions-FYE 12/10	<u>(23,852)</u>
Balance—12/31/10	\$ 1,848,139
Principal reductions-FYE 12/11	<u>(24,945)</u>
Balance—12/31/11	<u>\$ 1,823,194</u>

**ST MARTIN PARISH WATERWORKS DISTRICT NO. 3**

Cade, Louisiana

**Notes to Basic Financial Statements(continued)**

The annual requirements to amortize revenue bonds outstanding at December 31, 2011, are as follows

<u>Year Ended</u> <u>December 31,</u>	<u>Totals</u>
2012	\$ 107,598
2013	107,598
2014	107,598
2015	107,598
2016	107,598
2017—2021	537,990
2022—2026	537,990
2027—2031	537,990
2032—2036	537,990
2037 – 2041	537,990
Thereafter	215,892
Total principal & interest	\$ 3,443,832
Less: Interest	1,620,638
Balance at December 31, 2011	<u>\$ 1,823,194</u>

**(6) RESTRICTED ASSETS**

Certain assets of the Waterworks District No. 3 are restricted under the terms of the Loan Resolution Security Agreement with the United States Office of Rural Development. All funds received shall be pledged for the purpose of the following funds and shall be set aside into the following separate accounts:

All revenue received shall be set aside in an account to be designated as the General Revenue Account. The General Revenue Account shall be used to make the monthly debt service payments plus operating and maintenance expenses.

From the remaining funds in the General Revenue Account there shall be set aside into an account designated as the Reserve Account the sum of \$449 each month until there is accumulated in that account the sum of \$107,598 after which deposits may be suspended, except to replace withdrawals. Similarly, there shall be set aside into an account designated as the Contingency Account the sum of \$449 each month until the amount on deposit in the Reserve Account reaches \$107,598, after which deposits into the Contingency Account will increase to \$897 per month.



**ST MARTIN PARISH WATERWORKS DISTRICT NO. 3**

Cade, Louisiana

**Notes to Basic Financial Statements(continued)**

All of the revenues received in any fiscal year and that are not required to be paid into any of the above noted funds in such fiscal year shall be regarded as surplus and may be used for any lawful purpose

The customer security deposit account represents refundable deposits collected from customers requesting service connection. The customer security deposit account totaled \$73,005 at December 31, 2011. There is an amount due the general revenue account from the customer security deposit account in the amount of \$38,160 at December 31, 2011.

Compliance with Water Revenue Bonds Restrictions

As of December 31, 2011, the Waterworks District No 3 is in compliance with all significant limitations and restrictions set forth in the issuance of the outstanding water revenue bonds.

(7) RETIREMENT PLANS

All employees of the Waterworks District are members of the Social Security Retirement System. No supplemental retirement or pension plans are maintained or provided by the Waterworks District

(8) COMPENSATION OF BOARD MEMBERS

The board of control consists of five members, who do not receive compensation, as follows:

Roland Kerlegan – President  
Greta Pinkney – Vice President  
Cynthia Robertson – Board Member  
Luke Delahoussaye – Board Member  
David Courville – Board Member

**ST MARTIN PARISH WATERWORKS DISTRICT NO. 3**  
**Cade, Louisiana**  
**Notes to Basic Financial Statements(continued)**

**(9) RISK MANAGEMENT**

The Waterworks District is exposed to risks of loss in the areas of health care, workers' compensation, general and auto liability, and property hazards. These risks are handled by purchasing commercial insurance. There have been no significant reductions in these insurance coverages during the current fiscal year, nor have settlements exceeded insurance coverage for the current or prior two fiscal years. A summary of coverage maintained at December 31, 2011 consists of.

<u>Coverage Provided For</u>	<u>Limits of Coverage (in dollars)</u>	<u>Description of limits</u>	<u>Expiration Date</u>
Fidelity Bond	\$ 107,598	Per officer	03/24/12
Commercial General Liability	\$ 1,000,000	Each occurrence	07/02/12
	\$ 100,000	Fire damage limit	
	\$ 5,000	Medical expense limit	
		Personal and advertising	
	\$ 1,000,000	injury limit	
	\$ 3,000,000	General aggregate limit	
	\$ 1,000,000	Products – completed operations aggregated	
Commercial Property	\$ 1,306,669	Buildings, water wells, and Tanks	07/02/12
Commercial Auto Coverage	\$ 1,000,000	Liability	07/02/12
	\$ 1,000,000	Uninsured motorist	
Workers Compensation	\$ 500,000	Bodily injury	07/23/12

**(10) CONTINGENT LIABILITIES**

The Waterworks District has no contingent liability exposure of which management is aware as of 12/31/11.

**ST MARTIN PARISH WATERWORKS DISTRICT NO. 3**  
Cade, Louisiana  
**Notes to Basic Financial Statements(continued)**

(11) ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual costs could differ from those estimates

(12) SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards is composed exclusively of federal loan balances subject to continuing compliance requirements, and hence includible as federal awards expended in accordance with OMB Circular A-133 Section 205 (b).

(13) OTHER POST-EMPLOYMENT BENEFITS(OPEB)

For the year ended December 31, 2011, GASB 45 requires all governmental agencies to disclose life, health, and deferred compensation benefits to retirees. When an employee retires from the Water District, there are no future costs incurred by the District for other post-employment benefits. Due to this fact, OPEB has no impact on the Statement of Net Asset or the Statement of Revenues, Expenses, and Changes in Net Assets of the St. Martin Parish Waterworks District No. 3

(14) SUBSEQUENT EVENTS

Subsequent events were evaluated through June 5, 2012, which is the date the financial statements were available to be issued. As of June 5, 2012, there were no subsequent events noted.

# MARAIST & MARAIST

CERTIFIED PUBLIC ACCOUNTANTS

(A PARTNERSHIP OF PROFESSIONAL ACCOUNTING CORPORATIONS)

1411 N MAIN STREET

ST MARTINVILLE, LOUISIANA 70582

TELEPHONE (337) 394-5571 • FAX (337) 394-1720

CHARLES M MARAIST, CPA \*

REGINA B MARAIST, CPA \*

\* A PROFESSIONAL ACCOUNTING CORPORATION

MEMBERS  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
SOCIETY OF  
LOUISIANA CERTIFIED PUBLIC ACCOUNTANTS

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board Members of the  
Waterworks District No. 3 of  
St Martin Parish, Louisiana  
Cade, Louisiana

We have audited the accompanying financial statements of the business-type activities and major fund of the Waterworks District No. 3 of St Martin Parish, Louisiana, a component unit of the St Martin Parish Government, as of and for the years ended December 31, 2011 and 2010, which collectively comprise the Waterworks District's basic financial statements, and have issued our report thereon dated June 5, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Waterworks District No. 3 of St Martin Parish, Louisiana's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Waterworks District No. 3 of St. Martin Parish, Louisiana's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Waterworks District No. 3 of St. Martin Parish, Louisiana's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings, questioned costs, and management's corrective action plan, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

To the Board Members of the Waterworks  
District No. 3 of St. Martin Parish, LA

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings, questioned costs, and management's corrective action plan (Item 11/1) to be a material weakness.

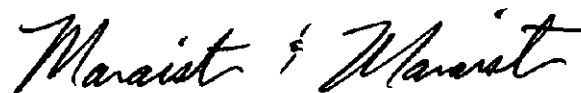
A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings, questioned costs, and management's corrective action plan (Item 11/2) to be a significant deficiency.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Waterworks District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

The Waterworks District's responses to the findings identified in our audit are described in the accompanying summary schedule of findings, questioned costs and management's corrective action plan. We did not audit the Waterworks District's responses, and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Waterworks District No. 3 of St. Martin Parish, Louisiana's management, and the appropriate regulatory agencies, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513 this report is distributed by the Legislative Auditor as a public document.



MARAIST & MARAIST  
CERTIFIED PUBLIC ACCOUNTANTS

June 5, 2012

**ST. MARTIN PARISH WATERWORKS DISTRICT NO. 3**  
Cade, Louisiana  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

<u>FEDERAL GRANTOR/ PASS-THRU GRANTOR/PROGRAM OR CLUSTER TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
United States Department of Agriculture/Water and Waste Disposal Systems for Rural Communities	10 760	-0-

The Waterworks District No 3 of St Martin Parish, Louisiana has three revenue bonds/loans outstanding with USDA Rural Development at December 31, 2011 as follows

<u>Revenue Bond</u>	<u>Outstanding Balance</u>
Series R-1	\$ 1,283,159
Series R-2	397,872
Series A	<u>142,163</u>
	<u>\$ 1,823,194</u>

**ST. MARTIN PARISH WATERWORKS DISTRICT NO. 3**  
Cade, Louisiana  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

**NOTE (1) – GENERAL**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of the federal award programs of the St. Martin Parish Waterworks District No. 3. The Waterworks District's reporting entity is defined in Note 1 to the St. Martin Parish Waterworks District No. 3's financial statements.

**NOTE (2) – BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the St. Martin Parish Waterworks District No. 3's financial statements.

**NOTE (3) – RELATIONSHIP TO FINANCIAL STATEMENTS**

The bonds payable are reported in the St. Martin Parish Waterworks District No. 3's financial statements as a liability.

**WATERWORKS DISTRICT NO. 3**  
of St Martin Parish, Louisiana  
Cade, Louisiana  
**Schedule of Findings, Questioned Costs**  
**And Management's Corrective Action Plan**  
Year Ended December 31, 2011

**Part I      SUMMARY OF AUDIT RESULTS**

- 1      The auditor's report expresses an unqualified opinion on the basic financial statements of the St Martin Parish Waterworks District No 3
- 2      Two significant deficiencies in internal control over financial reporting relating to the audit of the financial statements were reported in the *Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards* Item 11/1 is considered to be a material weakness
- 3      No instances of noncompliance relating to the audit of the financial statements are reported in the *Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*
- 4      There was no single audit required under OMB Circular A-133

**Part II      2010 FINDINGS – FINANCIAL STATEMENT AUDIT**

**Internal Control**

11/1 – Inadequate Segregation of Accounting Duties

Condition

The Waterworks District No 3 does not have an adequate segregation of duties over receipts.

Criteria

Segregation of conflicting duties within accounting functions is a basic internal control

Cause

Only one person performs accounting duties for the Waterworks District.

Effect

Inadequate segregation of duties within the accounting function

Recommendation

Based upon the size of the operation and the cost-benefit of additional personnel, it is not feasible to achieve complete segregation of duties within the accounting system



**WATERWORKS DISTRICT NO. 3**  
of St Martin Parish, Louisiana  
Cade, Louisiana  
**Schedule of Findings, Questioned Costs**  
**And Management's Corrective Action Plan (Continued)**  
Year Ended December 31, 2011

**11/2 – Internal Control Over Financial Reporting**

**Condition**

The Waterworks District No. 3 does not have a staff person who has the training to apply generally accepted accounting principles (GAAP) in recording the entity's financial transactions or preparing its financial statements, including the related notes

**Criteria**

District management must maintain a system of internal control over financial statement preparation and reporting, including note disclosure

**Cause**

As is common in small organizations, Waterworks District accounting personnel do not possess sufficient technical expertise to adequately prepare its financial statements in accordance with generally accepted accounting principles. As such, management has chosen to engage its auditors to prepare the annual financial statements

**Effect**

Based on this decision, adequate internal controls over financial statement preparation and reporting have not been established

**Recommendation**

Management of the Waterworks District has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the District to outsource this task to its independent auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their contents and presentation

**Part III    FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None

**Part IV    MANAGEMENT'S CORRECTIVE ACTION PLAN**

**Finding 11/1**

Inadequate segregation of accounting functions.

**Planned Corrective Action**-None required

**WATERWORKS DISTRICT NO. 3**  
of St Martin Parish, Louisiana  
Cade, Louisiana  
**Schedule of Findings, Questioned Costs**  
**and Management's Corrective Action Plan (Continued)**  
Year Ended December 31, 2011

Part IV    MANAGEMENT'S CORRECTIVE ACTION PLAN

Finding 11/2

Internal control over financial reporting

Planned Corrective Action-None required

**WATERWORKS DISTRICT NO. 3**  
of St. Martin Parish, Louisiana  
Cade, Louisiana  
**Summary Schedule of Prior Findings**  
Year Ended December 31, 2011

Part I     **INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS**

10/1 – Inadequate Segregation of Accounting Functions

Management is aware of and has evaluated this inadequacy and concluded that the related costs versus benefits to be achieved does not justify the additional personnel it would require to establish an adequate segregation

10/2 – Internal Control Over Financial Reporting

Management has evaluated the costs versus benefits of establishing completely adequate internal control over financial reporting and has determined that it is most cost effective to outsource the preparation of its financial statements in accordance with GAAP to its independent auditors, subject to management review and acceptance.

Part II     **FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No prior year findings

Part III    **MANAGEMENT LETTER**

No prior year findings